

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 29, 2003

TO: Honorable David Swinford, Chair, House Committee on Government Reform

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2 by Swinford (Relating to the reorganization of, efficiency in, and other reform measures applying to state government.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2, As Introduced: a positive impact of \$171,396,886 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$85,878,387
2005	\$85,518,499
2006	\$104,397,797
2007	\$129,397,797
2008	\$129,397,797

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable Revenue Gain/(Loss) from <i>FOUNDATION SCHOOL FUND</i> 193	Probable Savings/ (Cost) from <i>GR MATCH FOR MEDICAID</i> 758
2004	\$1,277,000	\$82,409,387	\$759,000	\$1,433,000
2005	\$1,277,000	\$80,616,499	\$759,000	\$2,866,000
2006	\$4,577,000	\$96,195,797	\$759,000	\$2,866,000
2007	\$4,577,000	\$121,195,797	\$759,000	\$2,866,000
2008	\$4,577,000	\$121,195,797	\$759,000	\$2,866,000

Fiscal Year	Probable Revenue Gain from <i>STATE HIGHWAY FUND</i> 6	Probable (Cost) from <i>STATE HIGHWAY FUND</i> 6	Probable (Cost) from <i>GAME, FISH, WATER SAFETY AC</i> 9	Probable Revenue Gain from <i>WATER RESOURCE MANAGEMENT</i> 153
2004	\$0	(\$179,553,983)	(\$114,000)	\$24,535,663
2005	\$3,250,000	(\$2,317,668)	(\$114,000)	\$24,820,480
2006	\$3,250,000	(\$1,192,668)	(\$114,000)	\$25,000,000
2007	\$3,250,000	(\$1,192,668)	(\$114,000)	\$25,000,000
2008	\$3,250,000	(\$1,192,668)	(\$114,000)	\$25,000,000

Fiscal Year	Probable (Cost) from WATER RESOURCE MANAGEMENT 153	Probable Savings/ (Cost) from FEDERAL FUNDS 555	Probable Savings/ (Cost) from GR DEDICATED ACCOUNTS 994	Probable Savings/ (Cost) from OTHER SPECIAL STATE FUNDS 998
2004	(\$24,535,663)	\$45,503,073	\$5,217,400	\$3,500,200
2005	(\$24,820,480)	\$66,386,124	\$7,218,400	\$3,554,800
2006	(\$25,000,000)	\$86,183,724	\$9,677,800	\$7,306,600
2007	(\$25,000,000)	\$116,106,124	\$11,716,000	\$10,522,000
2008	(\$25,000,000)	\$116,106,124	\$11,716,000	\$10,522,000

Fiscal Year	Probable Savings/ (Cost) from ADV COMM EMER COMM ACCT 5007	Probable Savings/ (Cost) from TEXAS EMISSIONS REDUCTION PLAN 5071	Probable Savings/ (Cost) from Other Funds- Interagency Contracts	Change in Number of State Employees from FY 2003
2004	\$10,970	\$220,306	\$1,016,769	(2,060.6)
2005	\$12,000	\$210,408	\$944,766	(3,370.5)
2006	\$10,970	\$210,408	\$944,766	(3,994.5)
2007	\$12,000	\$210,408	\$944,766	(4,318.5)
2008	\$10,970	\$210,408	\$944,766	(4,318.5)

Fiscal Analysis

Article 1 of the bill relates to reorganization and consolidation of state governmental functions and entities. Article 2 relates to certain financial matters applying to state entities. Article 3 relates management, use, and information about certain state facility property. Article 4 relates to state management and use of information and information technology. Article 5 relates to state contracts and procurement, and the state management and use of information technology. Article 6 consolidates certain state health and human services. Article 7 sets guidelines on certain state human resources matters. The bill partially implements or fully implements several recommendations for the Comptroller's e-Texas report, "Limited Government, Unlimited Opportunity".

Methodology

Total savings in Article 1 of the bill include administrative savings to Texas Building and Procurement (TBPC) of \$1,025,283 and Department of Information Resources (DIR) of \$164,140. It also includes savings of \$426,872 in fiscal year 2004 and \$365,093 in Fiscal Year 2005 from the consolidation of the Board of Barber Examiners, the Cosmetology Commission, and the Board of Professional Land Surveying into the Department of Licensing and Regulation. The bill would result in savings of \$430,000 over the 2004-05 biennium from the transfer of the Texas Council of Environmental Technology to the Texas Commission on Environmental Quality. It includes savings of approximately \$11,000 in the Emergency Commission Account 5007 per year from the absorption of the Commission on State Emergency Communications (CSEC) by the Public Utility Commission (PUC). The transfer of the powers and duties of the Board of Public Accountancy (BPA), Board of Professional Engineers (BPE) and the Board of Architectural Examiners (BAE) to the Texas Department of Professional Licensing would result in additional costs of \$255,734 in the fiscal year 2004 and 184,934 each year thereafter. There would be savings of \$439,545 per year once the consolidation is completed. There would be additional costs of approximately \$4,000,000 to the State Office of Administrative Hearings (SOAH) that would be offset by reduced transfers from the impacted agencies. It includes a one-time cost of \$600,000 to the Higher Education Coordinating Board (HECB) and a cost to the Finance Commission of \$40,000 every other year for their reporting requirements.

Article 2 of the bill includes the increased Texas Animal Health Commission fees of \$2.3 million per year, and the annual \$200 fee on landscape architects, interior designers, land surveyors and property tax professionals, \$2.3 million of which would be deposited to general revenue, and \$0.8 million deposited to the Foundation School Fund Account. It also includes \$25 million per year raised by the Commission on Environmental Quality (TCEQ) to offset the loss of general revenue. It also includes \$27.5 million per year raised by the Railroad Commission to offset the loss of general revenue.

Implementation of Article 3 would result in an overall net savings to the state of \$17,087,564 to various funds for the biennium ending August 31, 2005, from the transfer of building management to the Texas Procurement Commission (TBPC). There would be an annual increased cost to General Revenue of approximately \$14.3 million related to the Building and Procurement Commission (TBPC) taking over facilities management services for 6.5 million square feet of office space but this would be offset by \$22.9 million in annual savings for the agencies transferring functions to TBPC. Costs to Texas Parks and Wildlife Department (TPWD) from the expansion of the public hunting program are \$114,400 per year. Costs associated with Issue 6.1 of Paving the Way are \$1,456,259 for the 2004-05 biennium. The estimated gains represent the amounts of State Highway Fund 0006 revenues resulting from property that would be sold over a four-year period, after an initial year of planning, and that net proceeds would total at least \$13 million.

The Texas Department of Transportation (TxDot) estimated costs of \$175,382,083 out of the State Highway Fund in fiscal year 2004 to implement Article 4 of the bill. This included \$172,075,00 to convert sixteen years of microfilm (over 500 million images) and paper documents to an electronic format by January 1, 2004. The Department of Information Resources (DIR) estimated the cost to other funds to implement the bill would be \$75,042 in fiscal year 2004 and \$723,029 per year for fiscal years 2005 through 2008.

The savings in Article 5 for the Medical Transportation Program are approximately \$1.4 million in both Federal Funds and General Revenue which would be realized in fiscal year 2004. That amount would increase to approximately \$2.8 million in both Federal Funds and General Revenue during each subsequent year.

The consolidation of health and human service agencies in Article 6 of the bill is anticipated to produce \$40.3 million in All Funds savings for fiscal year 2004, including \$19.5 million in General Revenue savings, and \$53.0 million in All Funds savings for fiscal year 2005, including \$25.1 million in General Revenue savings. The formation of an eligibility service bureau is anticipated to produce \$24.3 million in All Funds savings in fiscal year 2004, including \$12.1 million in General Revenue savings, and \$45.0 million in All Funds savings in fiscal year 2005, including \$22.5 million in General Revenue savings.

Implementation of Article 7 of the bill (reducing manager-to employee ratios) would result in estimated savings of \$41,330,400 through the biennium ending August 31, 2005, including savings of \$27,164,800 in Federal Funds, a savings of \$7,055,000 in other funds and savings to GR Dedicated accounts of \$12,435,800. However, the savings reflected above are estimated from 2003 appropriated levels and may not be fully realized under the Initial General Revenue Amounts for the 2004-05 biennium currently under consideration by the Legislature.

Technology

Article 3 would result in costs to implement the inventory and management system for the Texas Department of Transportation. Total costs for the 2004-05 biennium would be \$2,912,500, however those would include start-up costs. Thereafter, costs would be approximately \$331,250 per year for system upgrades and updates.

The Department of Information Resources estimated Seat Management Costs of \$1,550 per FTE for fiscal year 2004 impact of \$15,500 and the Department of Transportation estimated equipment costs of \$80,000 in fiscal year 2004 relating to centralizing consumer and technical assistance in its help desk and annual recurring costs of \$18,000 to implement Article 4 of the bill.

Local Government Impact

Implementation of Article 2 of the bill would affect local government as the Commission on Environmental Quality projects local governmental entities will pay approximately \$12.7 million annually in additional fees. This projection is based on an average of the General Revenue requests for fiscal years 2004-2005 multiplied by the percentage (51.29 percent) of water fees typically paid by local governmental entities.

Source Agencies: 116 Sunset Advisory Commission, 301 Office of the Governor, 302 Office of the Attorney General, 303 Building and Procurement Commission, 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 308 State Auditor's Office, 313 Department of Information Resources, 320 Texas Workforce Commission, 340 Department on Aging, 360 State Office of Administrative Hearings, 362 Texas Lottery Commission, 364 Health Professions Council, 369 Council on Environmental Technology, 401 Adjutant General's Department, 405 Department of Public Safety, 406 Texas Military Facilities Commission, 407 Commission on Law Enforcement Officer Standards and Education, 409 Commission on Jail Standards, 451 Department of Banking, 452 Department of Licensing and Regulation, 453 Workers' Compensation Commission, 455 Railroad Commission, 457 Board of Public Accountancy, 459 Board of Architectural Examiners, 460 Board of Professional Engineers, 464 Board of Professional Land Surveying, 467 Texas Commission on Private Security, 472 Structural Pest Control Board, 473 Public Utility Commission of Texas, 477 Commission on State Emergency Communications, 501 Department of Health, 502 Board of Barber Examiners, 505 Cosmetology Commission, 517 Commission on Alcohol and Drug Abuse, 529 Health and Human Services Commission, 532 Interagency Council on Early Childhood Intervention, 551 Department of Agriculture, 554 Animal Health Commission, 580 Water Development Board, 582 Commission on Environmental Quality, 601 Department of Transportation, 655 Department of Mental Health and Mental Retardation, 696 Department of Criminal Justice, 720 The University of Texas System Administration, 768 Texas Tech University System Administration, 781 Higher Education Coordinating Board, 802 Parks and Wildlife Department, 809 Preservation Board

LBB Staff: JK, WP, GO, JO